Before the
U.S. International Trade Commission

STEEL-CONSUMING INDUSTRIES: COMPETITIVE CONDITIONS WITH RESPECT TO STEEL SAFEGUARD MEASURES INV. NO. 332-452

Statement of

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Chairman Okun, Vice-Chairman Hillman, and distinguished Commissioners, US steel consumers are benefiting from the 201 measures. Today, there is more capacity in production in the US as price relief has permitted companies to emerge from bankruptcy. Today, steel purchasers find themselves paying less for steel than many of their international competitors even with the 201 relief in place. Today, but for the 201 measures, the competitive conditions facing steel users most certainly would be less favorable, not more as they suggest.

It is important first to look back at the Steel Crisis that devastated the US steel industry and brought about the 201. Beginning in 1997 and continuing into 2003, the US steel industry suffered direct and residual effects of the unprecedented surge of imports, including:

- prices falling to their lowest level in 20 years despite periods of strong demand;
- 39 bankruptcies;
- 55,000 lost jobs since January 1998;
- terminated pension plans at 14 steel companies requiring intervention by the Pension Benefit Guaranty Corporation;
- lost healthcare for nearly 200,000 steelworker retirees, widows and their dependents;
- the idling or shutdown of over 26 million net tons of domestic steelmaking capacity or about 20% of the industry between January 2000 and January 2002; and
- inability of the industry to acquire the capital needed to maintain and modernize its facilities.

Against this background, the 201 measures have been beneficial to the US steel industry. 201 relief is providing a necessary adjustment period for the industry to stabilize, restructure, and restore capacity. Although the 201's coverage is limited, as FTA countries, developing countries, and numerous products have been excluded, the 201 measures have fostered and facilitated a massive restructuring and consolidation in the US industry as numerous companies have merged or been put up for sale.

Our industry and our workers need a continuation of the 201 relief – a topic for a different set of hearings being held next month – to secure our future. The improved prices from the unsustainable levels that were incurred for much of the period reviewed in the 201 investigation was the *raison d'être* of 201 relief. This study cannot simply ask whether prices are higher than they were before 201 relief – any negative answer would mean a failed remedy. Rather, the 332 study should examine whether domestic steel users can fairly be viewed as suffering adverse consequences, most importantly in the second half of 2003 going forward, presumably the only period relevant for any action the Administration or Congress might choose to pursue.

Some consumer groups have asserted that the 201 measures should be terminated because they have caused higher steel prices and supply difficulties. The facts, however, show that the 201 measures are not having a detrimental effect on steel consumers – certainly not in 2003 -- either with respect to prices or supply.

With the 201 measures, US steel prices initially recovered. The intention of 201 relief was to help prices recover to a realistic and sustainable level. That prices recovered was both expected and necessary. The initial price increase, however, was also due in significant part to the loss of 20 million tons of domestic capacity with the closing of LTV in late 2001. Without 201 relief, more plant closures would have occurred, more jobs would have been lost, and more steel capacity would have been eliminated, resulting in even higher steel prices. With the 201 relief, many steel producing companies were able to restart production and recover lost capacity.

Since August 2002, however, as capacity recovered and large exclusions from 201 coverage were made and as orders shifted to developing countries excluded from initial 201 relief, US steel prices have significantly declined, prompting Purchasing Magazine to state that it is now a "Buyer's Market" for steel.

Since May 2002, the dollar has weakened against the world's major currencies, and world steel prices, including in the EU and Japan, have risen faster and higher than US prices. Thus, despite 201 relief, US steel prices today are at the low end of steel prices worldwide, and US consumers are currently enjoying an advantageous position vis-à-vis their foreign competitors.

Steel supplies continue to be readily available in the US, not only because the 201's coverage is limited but because those products that are covered may still be sourced from excluded countries or from covered countries with payment of the 201 tariff.

Before accounting for product exclusions, Vice Chairman Hillman estimated that the 201 covered only 29% of total steel imports. With about 1,000 product exclusions granted so far, the 201's coverage now is even smaller. Thus, many consumers are still able to obtain a significant portion of their steel requirements from their original suppliers at preexisting prices as no 201 tariffs were added. Indeed, the correct conclusion is that steel consumers in the US continue to be highly advantaged because of the lower prices they pay than many of their international competitors. Hopefully, the Commission's 332 study will highlight this fact.

Further, a recent study found that employment in steel-consuming industries actually increased after the 201 measures.

In sum, the steel safeguard measures are providing a necessary period of relief to the US steel industry to allow it to stabilize, restructure and adjust to import competition. As will be clear in the 204 proceeding next month, the remedy needs to be continued and exclusions reduced and developing countries who have captured large volumes brought under the remedy to ensure that the benefits of the 201 remedy are achieved in the short period authorized by the President. The steel safeguard measures have not, in any significant way, harmed US steel consumers. US steel prices are favorable compared to world prices, the supply of steel products has not been constricted, and employment in steel consuming industries has not been adversely affected by the 201 measures.

Thank you for the opportunity to present the views of the United Steelworkers on these issues.